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January 23, 1974

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ASD(I&amp;L)



## Department of Defense Directive

**SUBJECT** International Co-Production Projects and Agreements  
Between the United States and Other Countries  
or International Organizations

- References:
- (a) DOD Directive 5100.27, "Delineation of International Logistic Responsibilities," December 29, 1964
  - (b) DOD Directive 5132.3, "DOD Policy and Responsibilities Relating to Military Assistance," December 20, 1972
  - (c) DOD Instruction 2000.8, "Cooperative Logistic Support Arrangements," February 14, 1964
  - (d) DOD Directive 3100.3, "Cooperation with Allies in Research and Development of Defense Equipment," September 27, 1963
  - (e) DOD Instruction 2015.4, "Mutual Weapons Development Data Exchange Program (MWDDEP) and Defense Development Exchange Program (DDEP)," November 5, 1963
  - (f) DOD Directive 2100.3, "United States Policy Relative to Commitments to Foreign Governments Under Foreign Assistance Programs," July 11, 1963
  - (g) DOD Instruction 4210.4, "Studies on the Availability of Materials," October 6, 1971
  - (h) DOD Directive 2000.9, subject as above, March 26, 1968 (hereby cancelled)

I. REISSUANCE AND PURPOSE

- A. This Directive reissues reference (h) to (1) add the Defense Security Assistance Agency to the list of agencies who may initiate co-production projects; (2) add the Assistant Secretary of Defense (Installations and Logistics) to prior approval authority; (3) supplement the international logistics policies established in references (a) through (g); and (4) revise the reporting requirements from quarterly to semi-annually. Reference (h) is hereby superseded and cancelled.
- B. Its purpose is to prescribe general policies and principles governing international co-production projects negotiated under agreements between the United States Government and

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eligible foreign governments, international organizations, foreign producers or other approved agencies. Policy guidance pertaining to the general areas of the Military Assistance Program (MAP), Foreign Military Sales (FMS), and international Cooperative Logistics Support Arrangements (CLSA) is not affected by this Directive.

## II. APPLICABILITY AND SCOPE

The provisions of this Directive are applicable to those offices responsible for negotiation, implementation, monitorship and financial and management control of the co-production Projects within the Office of the Secretary of Defense, the Defense Supply Agency, and the Departments of the Army, Navy and Air Force (hereinafter referred to collectively as "DoD Components").

## III. DEFINITION

- A. The term "co-production" as used herein encompasses any program wherein the U. S. Government, under the aegis of an international diplomatic level or Ministry of Defense-to-Department of Defense agreement, either directly through the FMS program, or indirectly through specific licensing arrangements by designated commercial firms, enables an eligible foreign government, international organization or designated commercial producer to acquire the "know-how" to manufacture or assemble, repair, maintain and operate, in whole or in part, a specific weapon, communication or support system, or an individual military item.
1. The "know-how" furnished may include research, development production data and/or manufacturing machinery or tools, raw or finished material, components or major sub-assemblies, managerial skills, procurement assistance or quality-control procedures.
  2. Third country sales limitations and licensing agreements are also included as required.
- B. Co-production may be limited to the assembly of a few end-items with a small input of local country parts, or it may extend to a major manufacturing effort requiring the build-up of capital industries.

## IV. OBJECTIVES AND POLICIES

- A. The major objectives to be attained through co-production projects are to:

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1. Enable eligible countries to improve military readiness through expansion of their technical and military support capability.
2. Promote U. S.-Allied standardization of military materiel and equipment, which, in turn, would generate the establishment of uniform logistics support, procedures and expanded multi-national operational capabilities.

B. Co-production programs directly benefit the U. S. through:

1. Creating in-country compatibility with the U. S. standardized equipment, thereby creating Allied capability of supporting deployment of U. S. forces.
2. Promoting the standardization of materiel or equipment to integrate and strengthen international military operations in times of emergency or hostilities.
3. Encouraging multi-national acceptance of strategic and tactical concepts and doctrine through the utilization of common military materiel.
4. Encouraging the creation of complementary forces in Allied countries.
5. Establishing or broadening the base for common and interchangeable logistics among free or Allied nations.
6. Serving to improve procurement, production, contract administration and mutual support capability of friendly Allied nations.

C. Co-production is considered to be an important component of the U. S. military foreign sales program and, as such, represents an essential element of U. S. foreign policy. Accordingly, it is DoD policy that initiation of co-production project agreements will be encouraged and supported by all elements of DoD under the following circumstances, when they:

1. Advance the objectives outlined in A. and B. above.
2. Supplement and reinforce the U. S. FMS program.
3. Are in the best interest of the United States.

## V. RESPONSIBILITIES AND PROCEDURES

- A. Co-production projects may be initiated by the Assistant Secretary (International Security Affairs) or the Defense Security Assistance Agency with prior Assistant Secretary of Defense (Installations and Logistics) coordination, or, subject to prior ASD(ISA), DSAA and ASD(I&L) approval, by the Military Departments; the Military Assistance Advisory Groups (MAAGs); and authorized representatives of foreign governments and/or international organizations.
  - 1. The cognizant DoD Component will insure appropriate coordination with ASD(ISA), DSAA and ASD(I&L) and furnish technical and negotiating assistance as required.
  - 2. After the agreement is signed, the appropriate DoD Component will perform necessary managerial and reporting functions.
- B. In conformance with the responsibilities assigned in DoD Directive 5100.27 (reference (a)):
  - 1. The Assistant Secretary of Defense (International Security Affairs) will:
    - a. Develop and coordinate DoD positions for the negotiation of co-production agreements with foreign governments and international organizations; and
    - b. Either conduct negotiations for specific agreements, or delegate this responsibility to an appropriate DoD Component.
  - 2. The Assistant Secretary of Defense (Installations and Logistics) will:
    - a. Provide approval and assure during coordination of formal agreements that the materiel to be committed under the co-production project will not adversely affect the U. S. defense supply or production base, or further limit critical materiel (DoD Instruction 4210.4, reference (g)), and that consideration has been given to the future logistical support of the equipment to be produced (DoD Directive 3100.3, reference (d)); and
    - b. Monitor and act as OSD coordinator for implementation of co-production projects under formal agreements, in coordination with other elements of the OSD, as required.

3. The Office of the General Counsel of the Department of Defense will assure necessary legal clearance, as required, prior to formalization of co-production project agreements.
4. The Assistant Secretary of Defense (Comptroller) will assist the ASD(ISA) and the ASD(I&L) during coordination, as required, of formal co-production agreements by providing necessary DoD representation and financial guidance with respect to pricing policies for U. S. military services and equipment, cost sharing, and reporting requirements under co-production agreements as they relate to international balance of payments.
5. Other OSD organizational elements will assist ASD(I&L), as required, in assuring that the terms and conditions of co-production project agreements are met.

#### VI. SECURITY

- A. Classified information and materials will be treated as exchanges between those governments involved and will be safe-guarded by each government in accordance with existing agreements.
- B. In addition to adherence to existing security agreements, a security annex or clause will be developed as a part of the co-production agreement which will cover all security factors involved.

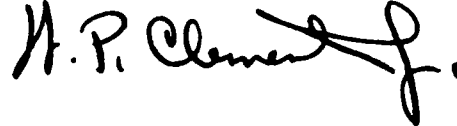
#### VII. REPORTS REQUIRED

- A. A short narrative type report will be submitted to ASD(I&L) by the cognizant DoD Component on a semi-annual basis covering all formalized co-production projects and agreements including pending agreements with a high potential of being finalized within the next year. The report, in prior agreed format, will briefly state project, project officer, background highlights, current production and status including anticipated and approximate monetary return to the U. S.; current problem areas (if any), and future major events or milestones. The reporting requirement has been assigned Report Control Symbol (DD-I&L) (SA) 834.
- B. This report will be submitted in triplicate to OASD(I&L) by the close of the last working day of January and July, starting FY 1974. The first report under this Directive will cover the six-month period ending December 31, 1973 and will be due January 31, 1974. In addition, copies will

be forwarded to the appropriate Unified Commands and MAAGs of the countries involved. Further distribution may be prescribed by the Military Department concerned.

VIII. EFFECTIVE DATE AND IMPLEMENTATION

This Directive is effective immediately and encompasses all co-production agreements now in effect or pending. Two copies of implementing regulations shall be forwarded to ASD(I&L) within 90 days.

A handwritten signature in black ink, appearing to read "H. P. Clement". The signature is stylized with a large, sweeping "C" and a final flourish.

Deputy Secretary of Defense